

## Draft Final Modification Report

# CMP377: Clarification of Section 14 BSUoS Charging Methodology

**Overview:** Modification to provide clarity on how the BSUoS charging methodology is described in Section 14 of the CUSC. The four areas being addressed are: Covid-19 cost recovery calculations, capitalisation of defined terms in CMP373 legal text, clarifying storage import terminology and general housekeeping.

## Modification process &amp; timetable

1	<b>Proposal Form</b> 15 July 2021
2	<b>Workgroup Consultation</b> N/A
3	<b>Workgroup Report</b> N/A
4	<b>Code Administrator Consultation</b> 04 August 2021 - 02 September 2021
5	<b>Draft Final Modification Report</b> 16 September 2021
6	<b>Final Modification Report</b> 06 October 2021
7	<b>Implementation</b> 10 working days after Ofgem decision

**Have 5 minutes?** Read our [Executive summary](#)

**Have 20 minutes?** Read the full [Draft Final Modification Report](#)

**Have 30 minutes?** Read the full Draft Final Modification Report and Annexes.

**Status summary:** This Report will be submitted to the CUSC Panel for them to carry out their Recommendation Vote on whether this change should happen.

**Panel Recommendation:** The Panel will meet on 24 September 2021 to hold their recommendation vote.

**This modification is expected to have a: Low impact**

Suppliers, Generators

**Governance route** Standard Governance modification to proceed to Code Administrator Consultation

**Who can I talk to about the change?**

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## Executive summary

### What is the issue?

This Modification to provide clarity on how the BSUoS charging methodology is described in Section 14 of the CUSC.

### What is the solution and when will it come into effect?

**Proposer's solution:** To amend the following areas within Section 14: Covid-19 cost recovery calculations, capitalisation of defined terms in CMP373 legal text, clarifying storage import terminology and general housekeeping.

**Implementation date:** 10 Working days after the Authority decision.

### What is the impact if this change is made?

This Modification won't have any material effect on any CUSC parties as it only clarifies existing rules in the CUSC, and it does not change how the ESO bills BSUoS Charges.

### Interactions

This Modification has no interactions with other codes, industry documents, modifications or industry projects.

## What is the issue?

In recent times there have been many code modifications (CMP281, CMP345, CMP350, CMP360, CMP373) leading to legal text changes in the BSUoS section of Section 14 of the CUSC. Following this suite of changes and subsequent stakeholder feedback on the clarity of the BSUoS charging methodology, it is prudent to raise a modification to ensure complete clarity of the legal text while keeping aligned with the outcomes of these previously mentioned modifications.

There are four independent issues which each require a minor change to the wording used to describe them in Section 14 of the CUSC. These changes are not substantive but would aid clarity in understanding the BSUoS charging methodology. These four issues are: updating Covid-19 calculations, housekeeping changes following approval of CMP373 ('Deferral of BSUoS billing error adjustment'), wording around the exclusion of storage imports from BSUoS costs, and general housekeeping.

### Updating Covid-19 calculations

BSUoS recovery in Financial Year 2021/22 related to deferred Covid-19 costs has been agreed to be recovered equally from each Settlement Period in the Financial Year. This is following Code Modifications CMP345 ('Defer the additional Covid-19 BSUoS costs') and CMP350 ('Changes to the BSUoS Covid Support Scheme').

However, the current BSUoS charging methodology in the CUSC doesn't fully reflect the agreed approach for how Covid-19 costs are recovered. This is due to the fact the BSUOSCOVID term in Paragraph 14.30.10 is written such that it is being volume weighted when it shouldn't be, since the agreed approach is to recover Covid-19 costs equally across each Settlement Period. This term was introduced to Paragraph 14.30.10 as part of CMP360 ('Aligning Section 14 of the CUSC 'Balancing Services Use of System Charging Methodology' to the licence changes introduced by RII0-2 in respect of the 'System Operator Revenue Restriction').

### Housekeeping changes following CMP373 decision

The ESO received feedback in [the decision letter from CMP373](#) that there is currently inconsistency in the capitalisation of defined terms, such as Financial Year and Settlement Period. There is also an instance where 'scheme year' is used when it should read Financial Year. One other phrase which needs housekeeping is replacing the word 'due' with 'payable', when describing the charges being recovered as part of BSUoS under recovered costs. This Modification would seek to make this consistent and align with other Codes and the Licence, however CMP373 will be implemented on 1 October 2021.

### Storage imports being excluded from BSUoS costs

The wording in Section 14 around the subtraction of storage imports from BSUoS costs could lead to a misunderstanding by the reader. This is because different data sources may hold storage imports as positive or negative values. Therefore, subtraction of storage imports could be interpreted as either increasing or decreasing BSUoS costs depending on what data source is being considered. This charging methodology was agreed following CMP281 ('Removal of BSUoS Charges From Energy Taken From the National Grid System by Storage Facilities').

General housekeeping changes

Finally, there are a handful of housekeeping changes this modification would seek to make. This is the alignment of terms used in Section 14 to Section 11 defined terms. The terms in question here are BSUoS Charges and NETS.

**Why change?**

By updating Section 14 of the CUSC to remove this ambiguity, it will be clear to all parties how BSUoS Covid Costs are being recovered and how storage imports are removed from BSUoS charges. The suggested housekeeping changes ensure consistency which makes the document more easily understood.

The proposed changes wouldn't change the intent of any of the mods discussed above or the current processes implemented by the ESO. Instead, these changes would clarify the previously agreed charging methodology.

**What is the Proposer's solution?**

The proposed solution is to update Section 14 of the CUSC to bring clarity to these issues without altering their intent as agreed in the reference CUSC mods. This would be achieved by:

- a) moving the BSUoS COVID term in Paragraph 14.30.10 outside of the square brackets, so it isn't being volume weighted. The explanation for this term can then be moved from Paragraph 14.30.16 to 14.30.10, and 14.30.16 can subsequently be removed from the CUSC. These changes would make the Covid-19 cost recovery calculations within Section 14 consistent with the agreed approach from CMP345 and CMP350.
- b) updating Paragraphs 14.30.16, 14.30.19 and 14.31.8 so that Financial Year and Settlement Period are used and capitalised. Updating the definition of BSUoS 20/21 Under Recovered Costs so it reads 'payable instead of 'due'.
- c) updating the definitions of Gross Demand BM Unit Volume and Transmission Connected Site BM Unit Metered Volume in Paragraph 14.31.8; and
- d) revising instances where the text should read BSUoS Charges but doesn't currently, and the same for where the text should read NETS but doesn't currently.

**Legal text**

The legal text can be found in Annex 2.

**What is the impact of this change?****Proposer's assessment against CUSC Charging Objectives**

<b>Relevant Objective</b>	<b>Identified impact</b>
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;	<b>Neutral</b>  This Modification has no material impact on the content of the CUSC; it only clarifies the previously agreed legal text.

<p>(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);</p>	<p><b>Neutral</b></p> <p>This Modification has no material impact on the content of the CUSC; it only clarifies the previously agreed legal text.</p>
<p>(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;</p>	<p><b>Neutral</b></p> <p>This Modification has no material impact on the content of the CUSC; it only clarifies the previously agreed legal text.</p>
<p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and</p>	<p><b>Neutral</b></p> <p>This Modification has no material impact on the content of the CUSC; it only clarifies the previously agreed legal text.</p>
<p>(e) Promoting efficiency in the implementation and administration of the system charging methodology.</p>	<p><b>Positive</b></p> <p>This Modification provides clarity on how BSUoS is charged, ensuring consistent understanding of the system charging methodology for all parties involved.</p>
<p>*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).</p>	

## Code Administrator Consultation

The Code Administrator Consultation was issued on the 4 August 2021 and closed on 2 September 2021 with 3 non-confidential responses received.

All were supportive of the change and implementation approach; however, there were changes proposed to the legal text, some of which are within the scope of CMP377 with the rest to be considered as part of future changes to Section 14 (Section 2) of the CUSC. The full responses can be found in Annex 3.

### Legal Text Changes proposed as part of the CMP377 Code Administrator Consultation

Proposed changes to the Legal Text	Within the Scope of CMP377 or to be considered as part of future changes?
14.30 Principles 14.31 Calculation of the Daily Balancing Services Use of System Charges 14.32 Settlement of BSUoS 14.33 Examples of Balancing Services Use of System (BSUoS) Daily Charges Calculations <ul style="list-style-type: none"> <li>Notes that “Daily” is capitalised so asks the ESO to consider if the word “Daily” needs to be capitalised and if so whether it needs to be defined in section 11 or within section 14. Alternatively, could consider creating a new definition of Daily Balancing Services Use of System Charges within Section 14.31;</li> <li>Notes that the word Daily appears before Balancing Services Use of System in 14.31 but afterwards in 14.33. If a definition is created, then they need to be in the same order; and</li> <li>From a look and feel it looks inconsistent to use the acronym (BSUoS) in 14.32 and 14.33 when the same definition earlier in the list 14.31 does not have the same treatment</li> </ul>	Considered as part of future changes
In 14.13.10, the use of BSUOSCoVIDjd / BSUOSCoVIDjd is inconsistent with the rest of the legal text, which uses BSUOSCoVIDjd (subscript jd).	Within the scope of CMP377
In 14.13.19, BSUOSUR20d and its definition (in should use a subscript d.	Within the scope of CMP377
In 14.29.1, notes that “Balancing Services Use of System Charges” is a defined term in section 11. Argues it would be better to put in brackets (BSUoS Charges), than then separately use the acronym (BSUoS) without Charges when “Balancing Services	Considered as part of future changes

Use of System” (BSUoS) appears by itself without “Charges” on the end which is a separate defined term?	
In 14.29.4 notes the term “National Grid system” and states that “National Grid” is not defined in section 11. Suggests changing to “Total System” as defined by the BSC”	Considered as part of future changes
The use of subscript to indicate the time period is consistent within Section 14 Section 2 but not in associated definitions <ul style="list-style-type: none"> <li>e.g. LOCTRU<sub>d</sub> and BSUoSINT<sub>jd</sub>, compared to TotAdj<sub>d</sub> and BSUoS<sub>tariffj</sub>.</li> </ul> Notes that corrections to those would probably be out of scope of this Mod but should be borne in mind for other Section 14 housekeeping modifications.	Considered as part of future changes
Throughout Section 14 there appears to be inconsistent use of the full defined term and the acronyms for BSUoS and/or BSUoS Charges, with it flipping between the full written out version and use of the acronym, often within the same section. This suggestion does not legally alter the CUSC but does improve the look and feel of the section. 14.31.4 and 14.31.5 being prime examples.	Considered as part of future changes

For those changes identified as within the scope of CMP377, the CUSC Panel on 24 September 2021 will be asked to consider these changes and agree next steps. Options for CUSC Panel are to:

- Agree that these changes are typographical and ask that legal text to be amended prior to sending the Final Modification Report to Ofgem; or
- Agree that some or all of these changes are not needed; or
- Agree to run a 2<sup>nd</sup> Code Administrator Consultation (and agree how long this is to be run for).

## Panel Recommendation V vote

The Panel will meet on the 24 September 2021 to carry out their recommendation vote. They will assess whether a change should be made to the CUSC by assessing the proposed change and any alternatives against the Applicable Objectives.



## When will this change take place?

### Implementation date

10 Working days after the Authority's decision.

### Date decision required by

As soon as is reasonably practicable.

### Implementation approach

Updates made to legal text in Section 14 as per Annex 2.

## Interactions

<input type="checkbox"/> Grid Code	<input type="checkbox"/> BSC	<input type="checkbox"/> STC	<input type="checkbox"/> SQSS
<input type="checkbox"/> European Network Codes	<input type="checkbox"/> EBR Article 18 T&Cs <sup>1</sup>	<input type="checkbox"/> Other modifications	<input type="checkbox"/> Other

This modification has no interactions with other codes, industry documents, modifications or industry projects.

## Acronyms, key terms and reference material

Acronym / key term	Meaning
BM	Balancing Mechanism
BSC	Balancing and Settlement Code
BSUoS	Balancing Services Use of System charges
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBGL	Electricity Balancing Guideline
ESO	Electricity System Operator
NETS	National Electricity Transmission System
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions

### Reference material

- None

## Annexes

Annex	Information
Annex 1	Proposal Form
Annex 2	Legal Text
Annex 3	Code Administrator Consultation Responses

<sup>1</sup> If your modification amends any of the clauses mapped out in Exhibit Y to the CUSC, it will change the Terms & Conditions relating to Balancing Service Providers. The modification will need to follow the process set out in Article 18 of the European Electricity Balancing Guideline (EBGL – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.